

Charter Township of Kinross
REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)
Year ended March 31, 2021

Charter Township of Kinross

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Charter Township of Kinross

List of Elected Officials

Supervisor:	James Moore
Clerk:	Sheila Gaines
Treasurer:	Kathy Noel
Trustee:	Mark Rice
Trustee:	Rebecca Kooyer
Trustee:	Richard Bernhardt
Trustee:	Robert Mills



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INDEPENDENT AUDITORS' REPORT

September 20, 2021

Board of Trustees
Charter Township of Kinross
Kincheloe, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Kinross as of and for the year ended March 31, 2021, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Kinross, as of March 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-11 and 40-41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Kinross' basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated September 20, 2021, on our consideration of the Charter Township of Kinross' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter Township of Kinross' internal control over financial reporting and compliance.

Lake Michigan CPA Services, PLLC

Ludington, Michigan
September 20, 2021

Charter Township of Kinross

Management's Discussion and Analysis

Using this Annual Report

The management of the Charter Township of Kinross, Michigan, offers the readers of our financial statement this narrative overview and analysis of the financial activities of the Township for the fiscal year ending March 31, 2021.

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Township as a whole. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government wide financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Charter Township of Kinross, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

The Township as a Whole

Net Position

The Township's total net position increased by \$2,223,309 to \$17,399,413 at March 31, 2021. A large portion of this increase is once again from the State grants received by the Sewer Fund, along with federal COVID relief grants. When we look at the governmental activities separately from the business-type activities, we note that business activities increased \$2,531,254 while governmental activities decreased \$307,945.

Assets

The Township's total assets increased \$3,685,375 over to the prior fiscal year, or 15.5%. In the business-type activities, total assets increased by \$3,899,900, due to the Sewer Fund's construction on the third segment of the Township Sewage Disposal System Improvement project. Governmental assets decreased by \$214,525 or 3.9%, due to cash used for road improvements, capital improvements, and the expense to tear down an old building.

Charter Township of Kinross

Management's Discussion and Analysis

Total Cash and Investments

The Township's total cash and investments in the governmental activities decreased by \$408,701 while it increased \$412,467 in the business-type activities. The net result is that total cash and investments, including restricted cash, is little changed from March 31, 2020 to March 31, 2021, increasing by \$3,766. For most departments, management feels that cash levels are sufficient to meet the needs for the immediate future. The Township sets money aside as cash flow allows for larger purchases in order to save on borrowing costs.

Liabilities

The Township's total Bonds and Leases Payable increased by \$819,935, which was due to the draws from the State Revolving Fund, Segment 3 for the sewer project.

The table below shows the components of assets, liabilities, and net position for the years ending March 31, 2021 and March 31, 2020.

	Governmental Activities		Business-Type Activities		Total	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
ASSETS						
Current	\$ 2,998,993	\$ 3,382,730	\$ 2,286,901	\$ 1,686,697	\$ 5,285,894	\$ 5,069,427
Noncurrent	2,218,836	2,049,624	20,001,464	16,701,768	22,220,300	18,751,392
Total Assets	<u>\$ 5,217,829</u>	<u>\$ 5,432,354</u>	<u>\$ 22,288,365</u>	<u>\$ 18,388,465</u>	<u>\$ 27,506,194</u>	<u>\$ 23,820,819</u>
LIABILITIES						
Current	\$ 218,458	\$ 198,470	\$ 1,437,947	\$ 819,467	\$ 1,656,405	\$ 1,017,937
Noncurrent	429,909	356,054	8,019,215	7,269,049	8,449,124	7,625,103
Total Liabilities	<u>648,367</u>	<u>554,524</u>	<u>9,457,162</u>	<u>8,088,516</u>	<u>10,105,529</u>	<u>8,643,040</u>
DEFERRED INFLOW OF RESOURCES						
Unavailable	1,252	1,675	-	-	1,252	1,675
NET POSITION						
Invested in capital assets, net of related debt	1,794,118	1,671,177	11,635,987	9,109,955	13,430,105	10,781,132
Restricted	2,073,982	2,379,393	397,278	365,088	2,471,260	2,744,481
Unrestricted	<u>700,110</u>	<u>825,585</u>	<u>797,938</u>	<u>824,906</u>	<u>1,498,048</u>	<u>1,650,491</u>
Total Net Position	<u>\$ 4,568,210</u>	<u>\$ 4,876,155</u>	<u>\$ 12,831,203</u>	<u>\$ 10,299,949</u>	<u>\$ 17,399,413</u>	<u>\$ 15,176,104</u>

Charter Township of Kinross

Management's Discussion and Analysis

Statement of Activities

The following table is a summary of the activities of the Township for the years ending March 31, 2021 and March 31, 2020.

	Governmental Activities		Business-type Activities		Total	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Charges for services	\$ 2,557,842	\$ 2,747,643	\$ 2,724,743	\$ 2,717,421	\$ 5,282,585	\$ 5,465,064
Operating and capital grants and contributions	291,629	140,913	2,708,471	1,043,685	3,000,100	1,184,598
General Revenues						
Property taxes	506,189	463,002	-	-	506,189	463,002
Unrestricted grants & contributions	528,918	537,143	-	-	528,918	537,143
Gain/(loss) on sale of capital assets	3,371	-	298,618	-	301,989	-
Investment earnings & other revenues	(17,487)	226,846	7,488	117,074	(9,999)	343,920
Total Revenues	3,870,462	4,115,547	5,739,320	3,878,180	9,609,782	7,993,727
Program Expenses						
General government	419,181	415,404	-	-	419,181	415,404
Public safety	416,592	475,053	-	-	416,592	475,053
Public works	381,454	27,794	-	-	381,454	27,794
Community & Ec. Dev.	11,625	7,166	-	-	11,625	7,166
Health and welfare	2,420,610	2,345,037	-	-	2,420,610	2,345,037
Culture and recreation	161,941	165,933	-	-	161,941	165,933
Other	261,885	96,973	-	-	261,885	96,973
Interest	19,752	16,734	-	-	19,752	16,734
Parks and Recreation	-	-	32,247	27,649	32,247	27,649
Fairgrounds	-	-	47,971	71,864	47,971	71,864
Golf Course	-	-	303,417	316,077	303,417	316,077
Sewer	-	-	2,350,744	2,306,920	2,350,744	2,306,920
Water	-	-	393,587	423,961	393,587	423,961
Rubbish Collection	-	-	165,467	154,721	165,467	154,721
Total Expenses	4,093,040	3,550,094	3,293,433	3,301,192	7,386,473	6,851,286
Transfers	(85,367)	(94,872)	85,367	94,872	-	-
Changes in net position	(307,945)	470,581	2,531,254	671,860	2,223,309	1,142,441
Net position						
April 1	4,876,155	4,405,574	10,299,949	9,628,089	15,176,104	14,033,663
March 31	4,568,210	4,876,155	12,831,203	10,299,949	17,399,413	15,176,104

Charter Township of Kinross

Management's Discussion and Analysis

The Township's Funds

Our analysis of the Township's funds follows, with explanations of changes segregated by governmental activities and business-type activities. The fund financial statements follow the entity wide financial statements, and provide detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities.

Governmental Activities

Governmental Activities, which are usually funds supported by taxes, are presented in this report as either major or nonmajor governmental funds. The General, Road Millage, Police, and Ambulance funds are considered major funds for the year ended March 31, 2021. Nonmajor governmental funds include the Fire, Recreation, and Property Management funds. The Public Improvement Fund is included with the General Fund because it does not meet the definition of a special revenue fund under governmental accounting standards.

The Township's governmental type revenues saw a decrease of \$245,085 in 2021, down about 6.0% from the prior year, due to a decrease in investment earnings and lower ambulance run revenue. State revenue sharing was down slightly, about 1.4%, which was a much better result than the State of Michigan originally estimated when the Covid pandemic began.

Expenditures increased by \$542,946, or 15.3%, from the prior year. Major expenditures included the Ambulance Fund paying off the remaining balance on a lease purchase agreement and purchasing two new rigs, the Property Management Fund writing off bad debt and tearing down a building, the Police Department building a garage, and repaving or improving several miles of roads. With the exception of the two new ambulance rigs these projects were paid with money that was previously set aside over several years specifically for improvement projects.

General Fund

The General Fund's fund balance declined by \$88,684 during 2021, due to the transfer to the Property Management Fund to pay for the demolition of the old hotel. When the State of Michigan implemented a stay-home order during the Covid-19 pandemic, there were projections that State revenue, including sales tax, would drop by 12% or more. The State took the unusual step of holding a special, third revenue estimating conference in August 2020 in an effort to gain a better understanding of revenue impacts from the pandemic. When the federal government extended financial assistance during this time by sending out stimulus checks and providing supplemental unemployment to individuals, it had the effect of providing an influx of sales tax and income tax revenue to the State when people spent the money they had received. This reduced the financial impact to Kinross Township as well since sales tax revenue sharing is a major revenue source in the General Fund. States also received financial assistance from the federal government. The State of Michigan used some of its federal grant money to replace one of the statutory revenue

Charter Township of Kinross

Management's Discussion and Analysis

sharing payments it was scheduled to make to local governments. The end result was that our revenue sharing, when combined with the replacement federal grant money, was \$3,700, or 0.7%, more than the year before.

Recreation

The Recreation Center endured a lengthy shutdown, per the State's orders, during 2020 because of the pandemic. The annual Kids' Fishing Day at Duke Lake was also cancelled. The Township took advantage of the building being closed by remodeling the rec center restrooms, with 2% money received from the Sault Tribe of Chippewa Indians for that very purpose. The Rec Center staff also did a lot of painting at the rec center building and at the RV East campground.

Ambulance Department

Except for those who contracted Covid, demand for medical services declined during the early months of the pandemic and the Ambulance Department was affected by this as well, with run revenue dropping by almost 9% following a 28.9% increase in the year prior. The extra cost for personal protective equipment and extra time needed to clean an ambulance after each run added to expenditures at a time when revenue was down. As a result of the drop in run volume, the federal grants received during this time were very beneficial and helped this department "weather the storm" during fiscal year 2021.

The Ambulance Department has been occupying their building under a series of short-term leases. However, the Township has now been able to sign a long-term lease for their building and they were able to make some improvements in the form of new roofing and siding, a much-needed fire escape for the second floor, new flooring, and air conditioning. About 20 trees from around the property were taken down for safety reasons. They are also working on getting a generator for use during power outages.

The Ambulance Fund had been able to set some money aside to use toward future vehicle purchases. In 2020 they used that money to pay off the final two years on a lease purchase agreement signed in 2016 and used the debt limit space that was freed up to finance the acquisition of two new ambulances and the equipment needed to outfit them.

Michigan is experiencing a state-wide shortage of emergency medical technicians (EMTs) and paramedics. In an effort to keep their wages competitive with large employers in the area and with other ambulance departments, and to curb turnover among our own employees, the Ambulance Department pay scales were increased. This will need to be monitored closely to see how it affects our budget, especially in this period of reduced revenues.

Charter Township of Kinross

Management's Discussion and Analysis

Property Management

A hotel building owned by Kinross Township had deteriorated to the point where it would be cost-prohibitive for a potential renter to fix it up and use it. The building was torn down in late summer of 2020. The vacant lot is in a prime location and the Township hopes to sell the property for a future business.

Business-Type Activities

The Township's business-type activities include the Golf Course, Parks, Fairgrounds, Rubbish Collection, and the Sewer and Water Funds. The two largest funds, which are major funds for the 2021 fiscal year, are the Sewer and Water Funds. These funds are used in the public interest to separately account for the finances of these activities.

Parks

Operating revenues, consisting primarily of camping fees at the RV East campground, were down by 40% following a record year in camping revenue in FY2020. The main reason for this large decline was a State-mandated stay home order during the pandemic, and the pandemic itself. Prior to this year, camping revenue had been up each year for the previous six years. Operating expenses were down about 8%. Expenses would have been down by a larger percentage but we took advantage of the shutdown to do some painting and maintenance to the campground building.

Golf Course

Revenue for the Golf Course Fund, not including Transfers In, was down 13.2%, following increases in each of the previous three fiscal years of about 7-9%. Expenses were down 4.0%.

A year ago, we projected a decrease in revenue at the golf course of up to 50% since the International Bridge was closed except for essential traffic, and we had no Canadian customers who usually make up about half of the business at the course. Our revenue was down, as expected, but at a more manageable 13.2%. It may have helped that during the mandated shutdown outdoor recreation areas were allowed to stay open since the possibility of transmitting Covid to another person is lower in an outdoor setting. Golfing was one of the few things that people were allowed to go out and do. We are very much looking forward, however, to the time when the International Bridge reopens to all traffic and we see the return of customers from across the border.

We lease out a portion of the golf course clubhouse for use as a restaurant and bar. We welcomed CJ's Grub Stop in October 2020 as they took over the restaurant space from the previous lessor. The new vendor stays open year-round so we wish them success as they expand their focus beyond golfers to encompass the entire community.

Charter Township of Kinross

Management's Discussion and Analysis

Water and Sewer Departments

Water Fund expenses were down 7.2%, largely from lower maintenance costs. Sewer Fund expenses were up by 3.8% because of higher depreciation, legal and engineering fees related to a dispute with the SRF segment 2 contractor, and utilities. There was no change to the water and sewer rates this year.

The contractor for segment 2 of the Waste Water Treatment Plant project did not complete the project by the date set in the contract. The contract called for damages in the event that construction was not completed on time. The Township and the contractor disagreed on how much was due for damages and the case went before an arbitrator. We were awarded \$239,085 in damages. The electrical generators, which are part of segment 2, are on line but have not brought about the utility cost savings that were anticipated. Other measures, including a possible sewer rate increase, will have to be considered to keep the budget in balance and be able to make our annual debt payments.

The construction for segment 3 of this project is nearing completion. The contractor is Grand Traverse Construction. This segment entails constructing a building to house organic waste to add to our digester which will then produce more methane gas. We can then use the additional methane to run the generator longer to generate more of our own electricity. Our efforts to get businesses, such as large chain grocery stores, to provide us with organic waste has not been successful so far but we must find sources for waste to make this project cost effective. 75% of the segment 3 total costs, up to \$4,500,000, is eligible for loan forgiveness from the State of Michigan. The interest rate on the segment 3 bonding is very low at 2.0%, versus 2.5% on segments 1 and 2. The first payment on the segment 3 bonding is due October 2021.

General Budgetary Highlights

Over the course of the year, the budget was amended with three different resolutions to take various events into account. Some of the larger adjustments included building demolition, legal fees on the dispute with the SRF segment 2 contractor, police garage construction, and building improvements, two new rigs, equipment, a generator, and an increase to bad debts in the Ambulance Fund.

The Township met the reporting requirement for the CVT (City, Village, and Township) Revenue Sharing during FY 2021 and received the maximum amount of revenue available from the State. Our total revenue sharing received dropped by about 1.5%, which is much less than originally predicted at the start of the pandemic. Revenue loss was more pronounced at the campgrounds, fees for use of the fairgrounds, and at the golf course. Funds earmarked for local units of government as passed by the U.S. Congress in the American Rescue Plan Act will help to offset these revenue losses in the short term. Golf course revenue should rebound when the International Bridge reopens to all traffic, but we will have to watch our budget closely until that

Charter Township of Kinross

Management's Discussion and Analysis

can happen. Long-term plans will be more difficult to create until the uncertainty surrounding the pandemic and our revenue sources is resolved.

The Township continues to work to improve the financial health of all Township departments. One way we do that is by putting aside money to fund capital improvements in advance as much as possible. For recent equipment needs in the Fire and Ambulance Departments, as well as the extensive improvements underway at the Sewage Treatment plant, this was not possible and we had to take on additional debt. We are near our borrowing limit for lease-purchase obligations. Our financial situation is still good in most funds but the financial impact of the pandemic is still being felt in the form of higher costs and less revenue in some departments.

Investment appreciation and earnings this fiscal year totaled -\$15,090. This loss breaks down to \$71,206 in interest earnings and -\$86,296 from a decrease in the value of our investments. This loss in the value of our investments follows a \$180,292 gain in investment value in the previous year and is the result of swings in interest rates. The Township strives to manage its cash flow in such a manner that we won't have to liquidate a security prior to its maturity date. The effect of holding our investments until maturity is that investment gains and losses will net out close to zero over the long term.

Capital Asset and Debt Administration

At the end of the 2021 fiscal year the Township had \$22,220,3002 (net of depreciation) invested in a broad range of capital assets, including land, buildings, police, ambulance, and fire equipment, and water and sewer infrastructure. The major asset transactions included construction at the Waste Water Treatment Plant, a garage for the Police Department, building improvements at the Recreation Center and Ambulance Department, new ambulances, and a rebuilt well pump for the Water Department.

The total leases payable by the Township at March 31, 2021 were \$200,709, compared to \$101,724 at March 31, 2020, the increase coming from financing two new ambulances. Notes Payable decreased from \$276,723 to \$224,009. During FY 2021, the Township added \$1,138,664 to Bonds Payable with drawdowns for segment 3 from the State's Sewer Revolving Fund. Principal payments of \$365,000 were made, bringing the Bonds Payable to \$8,365,477 at March 31, 2021. Compensated absences totaled \$195,787 at March 31, 2021.

As previously mentioned, construction on segment 3 of the Waste Water Treatment Plant project is nearing completion. When the amount due on segment 3 is added to our total Bonds Payable it will push our total debt to over \$9,000,000. A sewer rate increase will likely be needed to generate the funds to make the annual bond payments, which we will need to make until 2040.

Charter Township of Kinross

Management's Discussion and Analysis

Future Considerations and Economic Factors

Some projects that are planned or under consideration are new windows for the Township Hall, which was put off when the Covid-19 pandemic hit, roof work at the Rec Center, new showers at the Ambulance building, and put in another ingress/egress road to improve traffic flow at Duke Lake. The Water Department may have to dig a new well, based on further inspection of an existing well.

As previously mentioned, segment 3 of the improvements to the sewer treatment system is nearing completion. This three-phased project has been ongoing for over eight years. We are already making bond payments for segments 1 and 2. In 2021 we will begin making principal and interest payments on segment 3. Debt service for this whole project will be over \$600,000 per year until 2037, at which time the segment 1 bonds will be paid off. The bonds for segments 2 and 3 will be paid off in 2038 and 2040, respectively. Our utility savings from the generation of electricity and heat from this project have not been significant as of yet. The hope is that once we begin adding fats and oils to the digester, which will increase the production of the methane that is used to produce electricity and heat, that more cost savings will materialize. Even so, a sewer rate increase will likely be needed.

The Township has been well over half of the maximum installment debt level, which is 1¼% of our Taxable Value, for the last three years. The largest installment purchase, a fire truck acquired in 2018, still has about 3½ years to go before it's paid off. Any purchases that require the use of installment debt will have to be managed carefully for the next couple of years until the existing debt is paid down.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to show accountability for the money it receives and how it is spent. If you have any questions about this report or need additional information, we welcome you to contact the Township Board at 4884 West Curtis Street, Kincheloe, MI 49788.

The township budget and other financial information are available at the township's website at www.kinrosstownship-mi.gov.

Charter Township of Kinross

Statement of Net Position March 31, 2021

ASSETS			
	Governmental activities	Business-type activities	Total
CURRENT ASSETS			
Cash and investments	\$ 2,489,463	\$ 925,572	\$ 3,415,035
Restricted cash	-	397,278	397,278
Receivables	435,658	911,800	1,347,458
Due from other governmental units	50,724	-	50,724
Inventory	518	20,200	20,718
Prepaid items	22,630	32,051	54,681
Total current assets	2,998,993	2,286,901	5,285,894
NONCURRENT ASSETS			
Non-depreciable	431,173	5,087,474	5,518,647
Depreciable, net of accumulated depreciation	1,787,663	14,913,990	16,701,653
Total noncurrent assets	2,218,836	20,001,464	22,220,300
Total assets	\$ 5,217,829	\$ 22,288,365	\$ 27,506,194
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable	\$ 64,685	\$ 968,359	\$ 1,033,044
Accrued expenses and other liabilities	52,152	34,351	86,503
Leases payable, due within one year	48,154	-	48,154
Notes payable, due within one year	53,467	-	53,467
Bonds payable, due within one year	-	435,237	435,237
Total current liabilities	218,458	1,437,947	1,656,405
NONCURRENT LIABILITIES			
Leases payable	152,555	-	152,555
Notes payable	170,542	-	170,542
Bonds payable	-	7,930,240	7,930,240
Compensated absences	106,812	88,975	195,787
Total noncurrent liabilities	429,909	8,019,215	8,449,124
Total liabilities	648,367	9,457,162	10,105,529
DEFERRED INFLOW OF RESOURCES			
Unearned revenue	1,252	-	1,252
NET POSITION			
Invested in capital assets, net of related debt	1,794,118	11,635,987	13,430,105
Restricted	2,073,982	397,278	2,471,260
Unrestricted	700,110	797,938	1,498,048
Total net position	\$ 4,568,210	\$ 12,831,203	\$ 17,399,413

The accompanying notes are an integral part of this statement.

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Charter Township of Kinross

Balance Sheet Governmental Funds March 31, 2021

ASSETS

	General Fund	Ambulance Fund	Nonmajor governmental funds	Total governmental funds
ASSETS				
Cash and investments	\$ 713,199	\$ 770,022	\$ 1,006,242	\$ 2,489,463
Receivables				
Accounts, net of allowances	265	222,782	473	223,520
Interest	41,044	17,933	47,938	106,915
Taxes and special assessments	15,017	14,101	76,105	105,223
Due from other governmental units	45,384	-	5,340	50,724
Inventory	-	-	518	518
Prepaid items	2,367	13,519	6,744	22,630
Total assets	<u>\$ 817,276</u>	<u>\$ 1,038,357</u>	<u>\$ 1,143,360</u>	<u>\$ 2,998,993</u>

LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES

LIABILITIES

Accounts payable	\$ 6,323	\$ 37,185	\$ 21,177	\$ 64,685
Accrued expenses and other liabilities	<u>8,583</u>	<u>30,770</u>	<u>12,799</u>	<u>52,152</u>
Total liabilities	14,906	67,955	33,976	116,837

DEFERRED INFLOW OF RESOURCES

Unavailable - ambulance resources	-	116,114	-	116,114
Unearned revenue	<u>177</u>	<u>-</u>	<u>1,075</u>	<u>1,252</u>
Total deferred inflow of resources	177	116,114	1,075	117,366

FUND BALANCES

Nonspendable	2,367	13,519	7,262	23,148
Restricted	168,389	840,769	1,064,824	2,073,982
Committed	70,000	-	15,700	85,700
Assigned	-	-	20,523	20,523
Unassigned	<u>561,437</u>	<u>-</u>	<u>-</u>	<u>561,437</u>
Total fund balances	<u>802,193</u>	<u>854,288</u>	<u>1,108,309</u>	<u>2,764,790</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 817,276</u>	<u>\$ 1,038,357</u>	<u>\$ 1,143,360</u>	<u>\$ 2,998,993</u>

The accompanying notes are an integral part of this statement.

Charter Township of Kinross

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position March 31, 2021

Total fund balance—governmental funds \$ 2,764,790

Amounts reported for governmental activities in the
Statement of Net Position are different because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the
governmental funds.

Cost of capital assets	\$ 7,495,677	
Accumulated depreciation	<u>(5,276,841)</u>	2,218,836

Certain ambulance revenue is not recognized until it
is receivable in the current period and therefore
is shown as a deferred inflow of resources in
governmental funds

116,114

Long-term liabilities, including notes and leases payable,
are not due and payable in the current period
therefore are not reported and payable in the current
period and not reported in the governmental funds.

Notes payable	(224,009)	
Leases payable	(200,709)	
Compensated absences	<u>(106,812)</u>	(531,530)

Net position of governmental activities
in the Statement of Net Position

\$ 4,568,210

The accompanying notes are an integral part of this statement.

Charter Township of Kinross

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the year ended March 31, 2021

	General Fund	Ambulance Fund	Nonmajor governmental funds	Total governmental funds
REVENUES				
Property taxes	\$ 169,606	\$ 124,650	\$ 201,174	\$ 495,430
Special assessments	-	-	250,568	250,568
Federal revenues	11,924	153,985	27,182	193,091
State revenues	534,218	-	84,457	618,675
Local contributions	-	5,000	15,098	20,098
Charges for services	9,443	2,147,357	14,470	2,171,270
Rental income	-	-	66,300	66,300
Investment earnings/(loss)	(7,835)	(2,611)	(12,132)	(22,578)
Reimbursements	13,411	18,809	-	32,220
Other	20	300	4,771	5,091
Total revenues	730,787	2,447,490	651,888	3,830,165
EXPENDITURES				
Current:				
General government	368,545	-	-	368,545
Public safety	-	-	318,852	318,852
Public works	27,792	-	353,662	381,454
Community and economic development	11,625	-	-	11,625
Health and welfare	-	2,300,958	-	2,300,958
Culture and recreation	-	-	148,981	148,981
Other governmental functions	7,025	-	244,629	251,654
Capital outlay	-	365,849	89,550	455,399
Debt service				
Principal	-	137,230	64,074	201,304
Interest	-	8,655	11,097	19,752
Total expenditures	414,987	2,812,692	1,230,845	4,458,524
Excess of revenues over (under) expenditures	315,800	(365,202)	(578,957)	(628,359)
OTHER FINANCING SOURCES (USES)				
Lease proceeds	-	247,575	-	247,575
Proceeds from sale of assets	-	-	20,188	20,188
Transfers in	-	60,000	259,117	319,117
Transfers out	(404,484)	-	-	(404,484)
Total other financing sources (uses)	(404,484)	307,575	279,305	182,396
Net change in fund balances	(88,684)	(57,627)	(299,652)	(445,963)
Fund balance at April 1, 2020	890,877	911,915	1,407,961	3,210,753
Fund balance at March 31, 2021	\$ 802,193	\$ 854,288	\$ 1,108,309	\$ 2,764,790

The accompanying notes are an integral part of this statement.

Charter Township of Kinross

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the governmental funds to the Statement of Activities For the year ended March 31, 2021

Net changes in fund balances - total governmental funds \$ (445,963)

Amounts reported for governmental activities in the
Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(269,370)	
Capital outlay	<u>455,399</u>	186,029

Governmental funds report the proceeds on disposition of assets as current financial resources. However, in the Statement of Activities, a gain or loss on the disposition of assets is recorded as the difference in sale price over the depreciated value of the asset.

Proceeds from sale of fixed assets	(20,188)	
Gain on disposition of assets	<u>3,371</u>	

Certain ambulance revenue in the Statement of Activities that does not provide current financial resources are not reported as revenue in the governmental funds.

36,926

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of the long-term debt consumes the current financial resources of governmental funds.

The proceeds from leases payable is an other financing source in the governmental funds, but increases long-term liabilities in the Statement of Net Position	(247,575)	
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Repayment of principal on long-term debt is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position	201,304	
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Compensated absences are reported in the Statement of Activities on an accrual basis, but are reported in the governmental funds as expenditures when used.

(21,849)

Change in net position of governmental activities	\$ <u><u>(307,945)</u></u>	
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The accompanying notes are an integral part of this statement.

Charter Township of Kinross

Statement of Net Position Proprietary Funds March 31, 2021

	Sewer Fund	Water Fund	Nonmajor Proprietary Funds	Total
CURRENT ASSETS				
Cash and investments	\$ 559,176	\$ 78,904	\$ 287,492	\$ 925,572
Restricted cash	397,278	-	-	397,278
Accounts receivable				
Trade	861,729	23,924	23,315	908,968
Interest	-	-	2,832	2,832
Due from other funds	-	250,000	-	250,000
Inventory	-	-	20,200	20,200
Prepaid items	23,940	4,375	3,736	32,051
Total current assets	<u>1,842,123</u>	<u>357,203</u>	<u>337,575</u>	<u>2,536,901</u>
NONCURRENT ASSETS				
Capital assets				
Land	13,270	6,244	461,900	481,414
Construction in progress	4,606,060	-	-	4,606,060
Land improvements	135,206	76,659	1,706,988	1,918,853
Buildings and building improvements	6,046,996	1,111,872	1,121,550	8,280,418
Equipment	3,966,625	426,216	737,506	5,130,347
Water system	-	2,048,759	-	2,048,759
Sewer system	10,456,994	-	-	10,456,994
Less: accumulated depreciation	<u>(7,655,142)</u>	<u>(2,274,262)</u>	<u>(2,991,977)</u>	<u>(12,921,381)</u>
Net capital assets	<u>17,570,009</u>	<u>1,395,488</u>	<u>1,035,967</u>	<u>20,001,464</u>
Total assets	<u>\$ 19,412,132</u>	<u>\$ 1,752,691</u>	<u>\$ 1,373,542</u>	<u>\$ 22,538,365</u>
CURRENT LIABILITIES				
Accounts payable	\$ 942,472	\$ 8,155	\$ 17,732	\$ 968,359
Accrued expenses and other liabilities	25,103	5,549	3,699	34,351
Due to other funds	250,000	-	-	250,000
Bonds payable, due within one year	435,237	-	-	435,237
Total current liabilities	<u>1,652,812</u>	<u>13,704</u>	<u>21,431</u>	<u>1,687,947</u>
NONCURRENT LIABILITIES				
Compensated absences	76,806	-	12,169	88,975
Bonds payable	7,930,240	-	-	7,930,240
Total noncurrent liabilities	<u>8,007,046</u>	<u>-</u>	<u>12,169</u>	<u>8,019,215</u>
Total liabilities	<u>9,659,858</u>	<u>13,704</u>	<u>33,600</u>	<u>9,707,162</u>
NET POSITION				
Invested in capital assets, net of related debt	9,204,532	1,395,488	1,035,967	11,635,987
Restricted	397,278	-	-	397,278
Unrestricted	150,464	343,499	303,975	797,938
Total net position	<u>9,752,274</u>	<u>1,738,987</u>	<u>1,339,942</u>	<u>12,831,203</u>
Total liabilities and net position	<u>\$ 19,412,132</u>	<u>\$ 1,752,691</u>	<u>\$ 1,373,542</u>	<u>\$ 22,538,365</u>

The accompanying notes are an integral part of this statement.

Charter Township of Kinross

Statement of Revenues, Expenses and Changes in Net Position Proprietary Funds For the year ended March 31, 2021

	Sewer Fund	Water Fund	Nonmajor Proprietary Funds	Total
REVENUES				
Charges for services	\$ 1,904,338	\$ 388,253	\$ 432,152	\$ 2,724,743
State grants	2,708,471	-	-	2,708,471
Other revenue	278,644	12,660	7,314	298,618
	<u>4,891,453</u>	<u>400,913</u>	<u>439,466</u>	<u>5,731,832</u>
OPERATING EXPENSES				
Wages and fringe benefits	762,614	182,540	197,644	1,142,798
Supplies	132,785	15,264	17,300	165,349
Utilities	165,062	61,135	41,511	267,708
Other services and charges	281,446	30,001	212,747	524,194
Repair and maintenance	87,601	19,129	39,504	146,234
Other expenses	10,445	4,631	1,893	16,969
Depreciation	750,832	80,887	38,503	870,222
	<u>2,190,785</u>	<u>393,587</u>	<u>549,102</u>	<u>3,133,474</u>
Total operating expenses				
	2,190,785	393,587	549,102	3,133,474
Operating loss	2,700,668	7,326	(109,636)	2,598,358
NONOPERATING REVENUES (EXPENSES)				
Interest expense	(159,959)	-	-	(159,959)
Investment earnings/(loss)	2,106	6,285	(903)	7,488
Total non-operating revenues (expenses)	<u>(157,853)</u>	<u>6,285</u>	<u>(903)</u>	<u>(152,471)</u>
Net income loss before transfers	2,542,815	13,611	(110,539)	2,445,887
TRANSFERS				
Transfers in	-	-	85,367	85,367
	<u>-</u>	<u>-</u>	<u>85,367</u>	<u>85,367</u>
Change in net position	2,542,815	13,611	(25,172)	2,531,254
Net position at April 1, 2020	\$ 7,209,459	\$ 1,725,376	\$ 1,365,114	10,299,949
Net position at March 31, 2021	<u>\$ 9,752,274</u>	<u>\$ 1,738,987</u>	<u>\$ 1,339,942</u>	<u>\$ 12,831,203</u>

The accompanying notes are an integral part of this statement.

Charter Township of Kinross

Statement of Cash Flows Proprietary Funds For the year ended March 31, 2021

	Sewer Fund	Water Fund	Nonmajor Proprietary Funds	Total
CASH FLOWS FROM/(FOR)				
OPERATING ACTIVITIES				
Receipts from customers	\$ 4,682,769	\$ 412,160	\$ 448,975	\$ 5,543,904
Receipts from/payments to other funds	-	-	-	-
Payments to suppliers	(61,728)	(128,637)	(311,367)	(501,732)
Payments to employees	(784,861)	(185,037)	(196,449)	(1,166,347)
Net cash provided by (used for) operating activities	3,836,180	98,486	(58,841)	3,875,825
CASH FLOWS FROM NONCAPITAL				
FINANCING ACTIVITIES				
Net transfers from other funds	-	-	85,367	85,367
Net cash provided by noncapital financing activities	-	-	85,367	85,367
CASH FLOWS FOR CAPITAL AND RELATED				
FINANCING ACTIVITIES				
Purchases of capital assets	(4,081,328)	(88,590)	-	(4,169,918)
Net proceeds from bonds payable	773,664	-	-	773,664
Interest paid on long-term debt	(159,959)	-	-	(159,959)
Net cash used for capital and related financing activities	(3,467,623)	(88,590)	-	(3,556,213)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment earnings	2,106	6,285	(903)	7,488
Net cash provided by investing activities	2,106	6,285	(903)	7,488
Net increase (decrease) in cash and investments	370,663	16,181	25,623	412,467
Cash, restricted cash and investments at April 1, 2020	585,791	\$ 62,723	\$ 261,869	910,383
Cash, restricted cash and investments at March 31, 2021	\$ 956,454	\$ 78,904	\$ 287,492	\$ 1,322,850
Reconciliation of operating loss to net cash provided by/(used for) operating activities				
Operating income/(loss)	\$ 2,700,668	\$ 7,326	\$ (109,636)	\$ 2,598,358
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:				
Depreciation expense	750,832	80,887	38,503	870,222
Change in assets and liabilities				
(Increase)/decrease in receivables	(208,684)	11,247	9,509	(187,928)
(Increase)/decrease in prepaid expenses	1,525	11	3	1,539
(Increase)/decrease in inventory	-	-	(1,348)	(1,348)
Increase/(decrease) in accounts payable	614,086	1,512	2,933	618,531
Increase/(decrease) in accrued expenses and other liabilities	(28,631)	(2,497)	840	(30,288)
Increase/(decrease) in internal balances	-	-	-	-
Increase/(decrease) in compensated absences	6,384	-	355	6,739
Net cash provided by operating activities	\$ 3,836,180	\$ 98,486	\$ (58,841)	\$ 3,875,825

Cash paid for interest for the year ended March 31, 2021 was \$159,959.

The accompanying notes are an integral part of this statement.

Charter Township of Kinross

Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
For the year ended March 31, 2021

	Property Tax Collection Funds
ASSETS	
Cash and investments	\$ <u>3,142</u>
LIABILITIES	
Due to other governmental units	\$ <u>3,142</u>

The accompanying notes are an integral part of this statement.

Charter Township of Kinross

Statement of Changes in Net Position
Fiduciary Fund
For the year ended March 31, 2021

	Property Tax Collection Funds
	<hr/>
ADDITIONS	
Property tax collections for other governments	\$ 1,282,938
DEDUCTIONS	
Payments of property taxes to other governments	<hr/> (1,284,455)
Change in net position	(1,517)
Net position at beginning of year	<hr/> 4,659
Net position at end of year	\$ <hr/> <hr/> 3,142

The accompanying notes are an integral part of this statement.

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2021

I. Summary of significant accounting policies

The accounting policies of the Charter Township of Kinross have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the Charter Township of Kinross.

A. Reporting entity

The Charter Township of Kinross, located in Chippewa County, is a municipal corporation governed by an elected seven member board. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable, by applying the criteria set forth in Statement No. 37 of the Governmental Accounting Standards Board. The following component units have been included in the financial reporting entity as blended component units.

Kinross Township Building Authority – The Authority is an entity legally separate from the Township, but which is governed by a board appointed by the Township Board of Trustees. The Authority's primary purpose is the procurement and management of debt financing for the Township. There was no activity in the Authority during the 2021 fiscal year.

Kinross Township Economic Development Corporation – The Economic Development Corporation is a legally separate non-profit entity whose primary purpose is to promote economic development in the Township. The board is appointed by the Township's Board of Trustees, it is financially accountable to the Township, and its annual budget is subject to the approval of the Township Board of Trustees. There was no activity in the Corporation during the 2021 fiscal year.

Kinross Brownfield Redevelopment Authority – The Authority is a legally separate entity, which is governed by a board appointed by the Township Board of Trustees. The Authority is financially accountable to the Township. There was no activity in the Authority during the 2021 fiscal year.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2021

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual

Charter Township of Kinross

Notes to the Financial Statements March 31, 2021

provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The Charter Township of Kinross reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Ambulance Fund accounts for Kinross EMS department revenues and expenses.

The Township reports the following major proprietary funds:

The Sewer Fund accounts for the operation of the Township sewage treatment services for residents of the Kincheloe, Michigan area.

The Water Fund accounts for the operation of the Township water system.

Additionally, the township reports the following fund type:

The tax collection agency funds accounts for all of the tax collection payments and disbursements to Charter Township of Kinross and other governmental units. The fiduciary funds are used to report assets held in a trustee or agency capacity for others are therefore are not available to support Township Programs. These funds are not incorporated into the government-wide financial statements.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water, sewer, and garbage functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2021

operations. The principal operating revenues of the sewer fund are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating items.

D. Assets, liabilities and net position or fund balance

1. Deposits and investments

The township's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The Township has adopted an investment policy in compliance with State of Michigan statutes. Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have office in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. All investments are reported at fair value.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

All trade and property tax receivables are shown net of allowance for uncollectibles. The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Property taxes are levied on December 1 on the taxable valuation of real and personal property (as defined by state statutes) located in the Township as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the County for collection. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2021

The 2020 state taxable value for property within the Township totaled approximately \$49,818,040. The property tax levied consisted of 1.65 mills for the Township's operating purposes, 1.5 mill for road improvements, 2 mills for EMS services, and 2 mills for parks and recreation. These revenues are recorded in the General Fund, Road Fund, Ambulance Fund, and Recreation Fund, respectively. The Township also has a special assessment district which levies taxes for police services, which is reflected in the Police Fund.

3. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods. These items are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Inventory

Inventories are valued at the lower of cost or market using the average cost method for proprietary fund types. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2021

5. Capital assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major capital outlays for assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities are included as part of the capitalized value of the assets constructed. Property, plant and equipment of the Township are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40-60
Building improvements	15-30
Vehicles	3-5
Office equipment	5-7
Equipment	3-7
Land improvements	5-20
State projects	20-30
Water system	5-50
Sewer system	5-50

6. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. Accordingly, the items unavailable revenue and unearned revenue are reported in the governmental funds balance sheet. The governmental funds report deferred inflows of resources from two sources: ambulance fund revenues and leases. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

7. Compensated Absences

The Township employment policies provide for vacation benefits to be earned in varying amounts depending on the employee's years of service. The annual vacation benefits are credited to the employee at the end of each pay period. The Township also has a sick leave policy, which provides sick leave benefits to be earned at a rate of 4 hours every two weeks. When an employee separates from service, the Township will pay an

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2021

employee his or her unused vacation up to 240 hours and half of unused sick time up to 60 days for employees hired prior to January 1, 2000 and up to 10 days for employees hired on or after January 1, 2000.

8. Interfund Transfers

During the course of normal operations, the Township has several transactions between fund, including expenditures and transfers of resources to provide services, purchase capital assets, and service debt. The accompanying financial statements reflect such transactions as interfund transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by Township management.

9. Net Position Flow Assumption

Sometimes the Township will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which resources are considered to be applied.

It is the Township's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

10. Fund Balance

Sometimes the government will fund outlays from both unrestricted and restricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Township's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for a specific purpose. The Township itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2021

In the fund financial statements, the Township reports fund balance in the following categories:

Nonspendable fund balances are not spendable in form and are required to be maintained intact.

Restricted fund balances are amounts that are constrained to a specific purpose through enabling legislation

Committed fund balances are constrained to a specific purpose by the township through an act of its highest decision-making authority, the Township Board.

Assigned fund balances represent amounts that the Township intends to use for a specific purpose.

Unassigned fund balances are amounts that are available for any purpose.

11. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. Stewardship, compliance and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

Each March, after receiving input from the individual departments, the Board of Trustees prepares a proposed operating budget for the fiscal period commencing April 1 through March 31. The operating budget includes proposed expenditures and the means of financing them. A public hearing is held at the Township Hall to obtain taxpayer comments. Prior to the end of the fiscal year, the Township Board enacts the budget through a resolution. The budget is amended throughout the year, when required to provide for additional revenues and expenditures.

The appropriated budget is prepared by fund, function and department. The Township's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level. The Township Board of Trustees modified the original adopted budgets for several funds throughout the year.

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2021

III. Detailed notes on all funds

A. Deposits and investments

As of March 31, 2020, the Township's deposits were as follows:

	Primary Government	Fiduciary Funds
Cash and cash equivalents	\$ 1,822,316	\$ 3,142
Investments	1,989,997	-
Total	<u>\$ 3,812,313</u>	<u>\$ 3,142</u>

The Township's investments at March 31, 2021 consisted of the following:

Investment Type	Fair Value	Average Maturity (Months)	Rating (Moody's)	Percent of Total Investments
Negotiable certificate of deposit	597,687	62	Not rated	30%
U.S. agency obligations	<u>1,392,310</u>	200	AAA/Aaa	70%
TOTAL	<u>1,989,997</u>			100%

Portfolio weighted average maturity 150 months

Interest Rate Risk

Through its investment policy, the Township manages its exposure to fair value losses arising from increasing interest rates by limiting the duration of its investment portfolio.

Credit Risk

State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). The Township's investment policy does not further limit its investment options.

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2021

Concentration of Credit Risk

The Township Board places no limit on the amount that the Township may invest in any one issuer.

Custodial Credit Risk – Deposits and Investments

Custodial credit risk in the case of deposits is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. State law does not require, and the Township does not have, a deposit policy for custodial credit risk. As of March 31, 2021, \$808,476 of the Township's bank deposits were covered by federal depository insurance, and \$3,003,837 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Foreign currency risk

The Township is not authorized to invest in securities which have this type of risk.

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2021

B. Capital assets

Capital asset activity in the governmental activities for the year ended March 31, 2021 was as follows:

	Balance April 1, 2020	Additions	Dispositions	Balance March 31, 2021
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 431,173	\$ 16,320	\$ 10,000	\$ 437,493
Capital assets, being depreciated				
Land improvements	444,517	-	-	\$ 444,517
Buildings and improvements	3,369,458	125,487	8,478	3,486,467
Equipment	1,154,531	94,832	-	1,249,363
Office equipment	185,984	-	-	185,984
Vehicles	1,771,684	218,760	298,591	1,691,853
Total capital assets being depreciated	6,926,174	439,079	307,069	7,058,184
Less: accumulated depreciation				
Land improvements	376,444	6,983	-	383,427
Buildings and improvements	2,344,387	48,764	1,660	2,391,491
Equipment	1,061,866	44,247	-	1,106,113
Office equipment	182,620	1,198	-	183,818
Vehicles	1,342,406	168,178	298,592	1,211,992
Total accumulated depreciation	5,307,723	269,370	300,252	5,276,841
Net capital assets, being depreciated	1,618,451	169,709	6,817	1,781,343
Total governmental capital assets	<u>\$ 2,049,624</u>	<u>\$ 186,029</u>	<u>\$ 16,817</u>	<u>\$ 2,218,836</u>

Governmental depreciation expense was charged to the functions of the primary government as follows:

Governmental activities:

General government	\$ 52,785
Public safety	96,819
Health and welfare	96,761
Culture and recreation	12,774
Other governmental functions	10,231
Total governmental depreciation	<u>\$ 269,370</u>

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2021

Note B - Capital assets – Continued

Capital asset activity in the business-type activities for the year ended March 31, 2021 was as follows:

	Balance April 1, 2020	Additions	Dispositions	Balance March 31, 2021
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 481,414	\$ -	\$ -	\$ 481,414
Construction in progress	575,766	4,030,294	-	4,606,060
Total non depreciated capital assets	1,057,180	4,030,294	-	5,087,474
Capital assets, being depreciated				
Land improvements	1,924,343	-	5,490	\$ 1,918,853
Buildings and improvements	8,286,577	-	6,159	8,280,418
Equipment	5,110,003	85,425	65,081	5,130,347
Water system	2,307,561	54,199	313,001	2,048,759
Sewer system	11,329,030	-	872,036	10,456,994
Total capital assets being depreciated	28,957,514	139,624	1,261,767	27,835,371
Less: accumulated depreciation				
Land improvements	1,495,564	27,496	5,490	1,517,570
Buildings and improvements	5,065,457	146,679	6,159	5,205,977
Equipment	2,299,534	338,087	65,081	2,572,540
Water system	1,024,410	52,853	313,001	764,262
Sewer system	3,427,961	305,107	872,036	2,861,032
Total accumulated depreciation	13,312,926	870,222	1,261,767	12,921,381
Net capital assets, being depreciated	15,644,588	(730,598)	-	14,913,990
Total business-type capital assets	\$ 16,701,768	\$ 3,299,696	\$ -	\$ 20,001,464

Depreciation in the business-type activities was charged as follows:

Business-type activities:

Parks and Recreation	\$ 741
Chippewa County Fairgrounds	4,946
Golf Course	32,816
Sewer	750,832
Water	80,887
Total business-type depreciation	\$ 870,222

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2021

C. Leases receivable

The Township is a lessor in several lease agreements. For the year ended March 31, 2021, the Township recognized \$119,718 in rental income from these operating leases. The cost of property held for leasing included buildings and improvements of \$555,442, equipment of \$55,939, land of \$238,953, and land improvements of \$67,701, with accumulated depreciation of \$576,108. The future minimum, lease payments to be received by the Township as of March 31, 2020 are as follows:

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Buildings	\$ 78,403	\$ 44,281	\$ 13,007	\$ 13,007	\$ 6,503
Land	1,475	1,519	1,565	794	-
Tower space	25,791	26,565	27,362	3,523	-
Total	<u>\$ 105,669</u>	<u>\$ 72,365</u>	<u>\$ 41,934</u>	<u>\$ 17,324</u>	<u>\$ 6,503</u>

D. Interfund receivables, payables, and transfers

Interfund transfers during the 2021 fiscal year consisted of the following:

<u>Fund Transferring Out</u>	<u>Receiving Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Fire Fund	\$ 80,406	Operating and capital
General Fund	Recreation Fund	43,730	Operating
General Fund	Ambulance Fund	60,000	Operating
General Fund	Property Management	143,300	Operating and capital
General Fund	Fairgrounds Fund	21,025	Operating
General Fund	Golf Course Fund	64,342	Operating
Property Management	Public Improvement/General	8,319	Savings
	TOTAL	<u>\$ 421,122</u>	

Interfund due to and due from balances consisted of the following at March 31, 2021:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
Water Fund	Sewer Fund	<u>\$ 250,000</u>	Capital improvements

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2021

E. Deferred inflows of resources

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred inflows of resources reported in the governmental funds were as follows:

Ambulance Fund Receivables	\$ 116,114	Unavailable
General Fund	177	Unearned
Recreation Fund	600	Unearned
Property Management Fund	475	Unearned
Total	<u>\$ 117,366</u>	

F. Long-term debt

The following is a summary of long-term liability activity for the Township for the 2021 fiscal year:

	Balance April 1, 2020	Additions	Reductions	Balance March 31, 2021	Due within one year
Governmental activities					
Leases payable	\$ 101,724	\$ 247,575	\$ 148,590	\$ 200,709	\$ 48,154
Notes payable	276,723	-	52,714	224,009	53,467
Compensated absences	84,963	21,849	-	106,812	-
Governmental activity long-term liabilities	<u>\$ 463,410</u>	<u>\$ 269,424</u>	<u>\$ 201,304</u>	<u>\$ 531,530</u>	<u>\$ 101,621</u>
Business-type activities					
Bonds payable	\$ 7,591,813	\$ 1,138,664	\$ 365,000	\$ 8,365,477	\$ 435,237
Compensated absences	82,236	6,739	-	88,975	-
Business-type activity long-term liabilities	<u>\$ 7,674,049</u>	<u>\$ 1,145,403</u>	<u>\$ 365,000</u>	<u>\$ 8,454,452</u>	<u>\$ 435,237</u>

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2021

Long-term debt at March 31, 2021 consisted of the following:

Governmental activities:

Capital lease for ambulances; payable in annual installments of \$53,674 through April of 2025; interest at 2.75%	\$ 200,709
Note payable lease for fire truck; payable in annual installments of \$62,479 through March of 2025; interest at 4%	224,009
Compensated absences	106,812
Total governmental activities long-term debt	<u>\$ 531,530</u>

Business-type activities:

Clean Water Program bonds payable in semi-annual installments of \$309,265 to \$378,202 through April of 2037; interest at 2.5%	\$ 4,508,311
Clean Water Program bonds payable in semi-annual installments of \$135,000 to \$174,688 through October of 2038; interest at 2.5%	2,718,501
Clean Water Program bonds payable in semi-annual installments of \$65,327 to \$100,000 through October of 2040; interest at 2%	1,138,665
Compensated absences	88,975
Total business-type activities long-term debt	<u>\$ 8,454,452</u>

Annual debt service requirements for debt outstanding as of March 31, 2021 is as follows:

Year ending March 31,	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
2022	\$ 101,621	\$ 15,820	\$ 435,327	\$ 180,670
2023	102,946	12,394	455,000	171,420
2024	106,444	8,845	465,000	161,794
2025	110,067	5,170	470,000	151,918
2026	3,640	1,437	480,000	141,920
2027-2031	-	-	2,610,000	549,474
2032-2036	-	-	2,930,000	261,454
2037-2041	-	-	520,150	4,228
	<u>424,718</u>	<u>43,666</u>	<u>8,365,477</u>	<u>1,622,878</u>
Compensated absences	106,812	-	88,975	-
Total	<u>\$ 531,530</u>	<u>\$ 43,666</u>	<u>\$ 8,454,452</u>	<u>\$ 1,622,878</u>

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2021

G. Other information

1. Risk management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three years.

2. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

H. Retirement plan

The Township provides retirement benefits for all of its elected officials and full-time employees through a defined contribution plan. The Township's pension investments are held in trust by the investment fiduciary, John Hancock Financial Services. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings and forfeitures of other participants' benefits prior to vesting. The plan is funded at a rate of 5% of eligible compensation and is available to employees after a period of 4 years, at which time they become vested. Employees may voluntarily contribute from 1-95% of compensation into the Plan. The Plan may be amended annually by the Township. Covered wages totaled \$1,670,387. The Township contributed \$85,966 to the Plan for the year ended March 31, 2021. Employee contributions during the 2021 fiscal year totaled \$44,940.

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2021

I. Date of management review

In preparing the financial statements, the Township has evaluated events and transactions for potential recognition or disclosure through September 20, 2021, the date the financial statements were available to be issued.

Required supplementary information

Charter Township of Kinross

Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the year ended March 31, 2021

	Budgeted Amounts			Variance with final budget- positive/ (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 148,178	148,178	\$ 169,606	\$ 21,428
Federal revenue	-	-	11,924	11,924
State revenue	493,400	493,400	534,218	40,818
Charges for services	2,500	2,500	9,443	6,943
Investment earnings	5,500	5,500	(7,835)	(13,335)
Reimbursements and other revenue	18,600	18,600	13,431	(5,169)
Total revenues	668,178	668,178	730,787	62,609
EXPENDITURES				
Current				
General government				
Township board	27,500	27,500	23,574	3,926
Supervisor	32,500	32,500	31,904	596
Clerk	28,800	28,800	26,647	2,153
Treasurer	25,700	25,700	23,098	2,602
Assessor	36,300	39,300	38,335	965
Accounting	63,900	63,900	57,672	6,228
Township hall	42,250	36,250	26,316	9,934
Board of review	2,125	2,125	944	1,181
Elections	6,700	7,500	5,383	2,117
Cemetery	6,050	8,050	6,963	1,087
Legal	2,000	2,000	-	2,000
Personnel services	79,075	60,775	54,551	6,224
Other services	77,703	79,703	73,158	6,545
Public safety	1,000	1,000	-	1,000
Public works				
Roads	-	-	-	-
Public right of way	31,500	31,500	27,792	3,708
Community and economic development				
Planning commission	10,900	12,900	11,625	1,275
Other governmental functions	11,110	11,110	7,025	4,085
Capital outlay	45,000	-	-	-
Total expenditures	530,113	470,613	414,987	55,626
Excess of revenues over expenditures	138,065	197,565	315,800	118,235
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(269,503)	(412,803)	(404,484)	8,319
Net other financing sources (uses)	(269,503)	(412,803)	(404,484)	8,319
Net change in fund balance	\$ (131,438)	\$ (215,238)	(88,684)	\$ 126,554
Fund balance at April 1, 2020			890,877	
Fund balance at March 31, 2021			\$ 802,193	

Charter Township of Kinross

Required Supplementary Information
Budgetary Comparison Schedule
Ambulance Fund
For the year ended March 31, 2021

	Budgeted Amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 114,600	\$ 114,600	\$ 124,650	\$ 10,050
Federal revenues	-	148,985	149,986	1,001
Local contributions	3,000	3,000	5,000	2,000
Charges for services	2,100,923	2,135,923	2,147,357	11,434
Investment earnings	9,000	9,000	(2,611)	(11,611)
Reimbursements and Other revenue	8,000	23,000	23,108	108
Total revenues	<u>2,235,523</u>	<u>2,434,508</u>	<u>2,447,490</u>	<u>12,982</u>
EXPENDITURES				
Current				
Health and welfare	2,181,935	2,362,135	2,300,958	61,177
Capital outlay	27,000	384,701	365,849	
Debt Service	93,588	146,238	145,885	353
Total expenditures	<u>2,302,523</u>	<u>2,893,074</u>	<u>2,812,692</u>	<u>61,530</u>
Excess of revenues over (under) expenditures	<u>(67,000)</u>	<u>(458,566)</u>	<u>(365,202)</u>	<u>74,512</u>
OTHER FINANCING SOURCES				
Lease proceeds	-	251,575	247,575	(4,000)
Transfers in	60,000	60,000	60,000	-
Total other financing sources	<u>60,000</u>	<u>311,575</u>	<u>307,575</u>	<u>4,000</u>
Net change in fund balance	<u>\$ (7,000)</u>	<u>\$ (146,991)</u>	<u>(57,627)</u>	<u>\$ 78,512</u>
Fund balance at April 1, 2020			<u>911,915</u>	
Fund balance at March 31, 2021			<u>\$ 854,288</u>	

Other supplemental information

Charter Township of Kinross

Combining Balance Sheet
Nonmajor governmental funds
March 31, 2021

ASSETS

	Special Revenue Funds					Total nonmajor governmental funds
	Fire Fund	Police Fund	Road Maintenance Fund	Property Management Fund	Recreation Fund	
ASSETS						
Cash and investments	\$ 151,098	\$ 282,934	\$ 313,964	\$ 27,863	\$ 230,383	\$ 1,006,242
Accounts receivable	425	48	-	-	-	473
Accrued interest receivable	2,531	8,668	28,397	1,409	6,933	47,938
Taxes and special assessments receivable	-	51,429	10,575	-	14,101	76,105
Due from other governmental units	-	5,340	-	-	-	5,340
Inventory	-	-	-	-	518	518
Prepaid items	2,290	2,421	-	470	1,563	6,744
Total assets	<u>\$ 156,344</u>	<u>\$ 350,840</u>	<u>\$ 352,936</u>	<u>\$ 29,742</u>	<u>\$ 253,498</u>	<u>\$ 1,143,360</u>

LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES

LIABILITIES

Accounts payable	\$ 1,595	\$ 8,219	\$ -	\$ 8,238	\$ 3,125	\$ 21,177
Accrued expenses and other liabilities	4,625	5,344	-	36	2,794	12,799
Total liabilities	<u>6,220</u>	<u>13,563</u>	<u>-</u>	<u>8,274</u>	<u>5,919</u>	<u>33,976</u>

DEFERRED INFLOW OF RESOURCES

Unavailable revenue - leases	-	-	-	475	600	1,075
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FUND BALANCES

Nonspendable	2,290	2,421	-	470	2,081	7,262
Restricted	132,134	334,856	352,936	-	244,898	1,064,824
Committed	15,700	-	-	-	-	15,700
Assigned	-	-	-	20,523	-	20,523
Total fund balances	<u>150,124</u>	<u>337,277</u>	<u>352,936</u>	<u>20,993</u>	<u>246,979</u>	<u>1,108,309</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 156,344</u>	<u>\$ 350,840</u>	<u>\$ 352,936</u>	<u>\$ 29,742</u>	<u>\$ 253,498</u>	<u>\$ 1,143,360</u>

The accompanying notes are an integral part of this statement.

Charter Township of Kinross

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds For the year ended March 31, 2021

	Special Revenue Funds					Total nonmajor governmental funds
	Fire Fund	Police Fund	Road Maintenance Fund	Property Management Fund	Recreation Fund	
REVENUES						
Property taxes	\$ 6,720	\$ -	\$ 83,289	-	\$ 111,165	\$ 201,174
Special assessments	-	250,568	-	-	-	250,568
Federal revenues	-	9,970	10,759	-	6,453	27,182
State revenues	76,457	8,000	-	-	-	84,457
Local contributions	-	-	-	-	15,098	15,098
Charges for services	2,244	3,017	-	-	9,209	14,470
Rental income	-	-	-	66,300	-	66,300
Investment earnings	599	(2,336)	(7,573)	(566)	(2,256)	(12,132)
Other	812	1,276	532	256	1,895	4,771
Total revenues	86,832	270,495	87,007	65,990	141,564	651,888
EXPENDITURES						
Current:						
Public safety	72,988	245,864	-	-	-	318,852
Public works	-	-	353,662	-	-	353,662
Culture and recreation	-	-	-	-	148,981	148,981
Other governmental functions	-	-	-	244,629	-	244,629
Capital outlay	-	48,556	-	16,320	24,674	89,550
Debt service						
Principal	64,074	-	-	-	-	64,074
Interest	11,097	-	-	-	-	11,097
Total expenditures	148,159	294,420	353,662	260,949	173,655	1,230,845
Excess of revenues over expenditures	(61,327)	(23,925)	(266,655)	(194,959)	(32,091)	(578,957)
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of assets	-	-	-	20,188	-	20,188
Transfers in	80,406	-	-	134,981	43,730	259,117
Total other financing sources/(uses)	80,406	-	-	155,169	43,730	279,305
Net change in fund balances	19,079	(23,925)	(266,655)	(39,790)	11,639	(299,652)
Fund balances at April 1, 2020	131,045	361,202	619,591	60,783	235,340	1,407,961
Fund balances at March 31, 2021	\$ 150,124	\$ 337,277	\$ 352,936	\$ 20,993	\$ 246,979	\$ 1,108,309

The accompanying notes are an integral part of this statement.

Charter Township of Kinross

Combining Statement of Net Position Nonmajor Proprietary Funds March 31, 2021

	Golf Course	Rubbish Collection Fund	Parks and Recreation	Chippewa County Fairgrounds	Total
CURRENT ASSETS					
Cash and investments	\$ 137,206	\$ 56,959	\$ 65,896	\$ 27,431	\$ 287,492
Accounts receivable					
Trade	843	22,472	-	-	23,315
Interest	-	2,222	610	-	2,832
Inventory	20,200	-	-	-	20,200
Prepaid items	2,532	-	-	1,204	3,736
Total current assets	<u>160,781</u>	<u>81,653</u>	<u>66,506</u>	<u>28,635</u>	<u>337,575</u>
NONCURRENT ASSETS					
Capital assets					
Land	310,000	-	12,400	139,500	461,900
Land improvements	1,277,292	-	82,888	346,808	1,706,988
Buildings and building improvements	330,358	-	64,077	727,115	1,121,550
Equipment	666,013	-	-	71,493	737,506
Less: accumulated depreciation	(1,818,648)	-	(122,392)	(1,050,937)	(2,991,977)
Net capital assets	<u>765,015</u>	<u>-</u>	<u>36,973</u>	<u>233,979</u>	<u>1,035,967</u>
Total assets	<u>\$ 925,796</u>	<u>\$ 81,653</u>	<u>\$ 103,479</u>	<u>\$ 262,614</u>	<u>\$ 1,373,542</u>
LIABILITIES					
Accounts payable	\$ 2,594	\$ 12,788	\$ 759	\$ 1,591	\$ 17,732
Accrued expenses	1,917	-	19	1,763	3,699
Compensated absences	12,169	-	-	-	12,169
Total liabilities	<u>16,680</u>	<u>12,788</u>	<u>778</u>	<u>3,354</u>	<u>33,600</u>
NET POSITION					
Invested in capital assets	765,015	-	36,973	233,979	1,035,967
Unrestricted	144,101	68,865	65,728	25,281	303,975
Total net position	<u>909,116</u>	<u>68,865</u>	<u>102,701</u>	<u>259,260</u>	<u>1,339,942</u>
Total liabilities and net position	<u>\$ 925,796</u>	<u>\$ 81,653</u>	<u>\$ 103,479</u>	<u>\$ 262,614</u>	<u>\$ 1,373,542</u>

The accompanying notes are an integral part of this statement.

Charter Township of Kinross

Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Nonmajor Proprietary Funds
For the year ended March 31, 2021

	Golf Course	Rubbish Collection Fund	Parks and Recreation	Chippewa County Fairgrounds	Total
REVENUES					
Charges for services	\$ 222,022	\$ 162,666	\$ 29,132	\$ 18,332	\$ 432,152
Other revenue	5,614	28	22	1,650	7,314
	<u>227,636</u>	<u>162,694</u>	<u>29,154</u>	<u>19,982</u>	<u>439,466</u>
OPERATING EXPENSES					
Wages and fringe benefits	165,608	-	12,297	19,739	197,644
Supplies	13,967	1,126	922	1,285	17,300
Utilities	21,708	-	9,560	10,243	41,511
Other services and charges	33,495	164,337	6,100	8,815	212,747
Repair and maintenance	34,736	-	1,825	2,943	39,504
Other expenses	1,087	4	802	-	1,893
Depreciation	32,816	-	741	4,946	38,503
	<u>303,417</u>	<u>165,467</u>	<u>32,247</u>	<u>47,971</u>	<u>549,102</u>
Total operating expenses					
Operating income/(loss)	(75,781)	(2,773)	(3,093)	(27,989)	(109,636)
NONOPERATING REVENUES					
Investment earnings/(loss)	346	(248)	(493)	(508)	(903)
Net income (loss) before transfers	(75,435)	(3,021)	(3,586)	(28,497)	(110,539)
TRANSFERS					
Operating transfers in/(out)	64,342	-	-	21,025	85,367
Net transfers	64,342	-	-	21,025	85,367
	<u>(11,093)</u>	<u>(3,021)</u>	<u>(3,586)</u>	<u>(7,472)</u>	<u>(25,172)</u>
Change in net position					
Net position at April 1, 2020	920,209	\$ 71,886	\$ 106,287	\$ 266,732	1,365,114
Net position at March 31, 2021	<u>\$ 909,116</u>	<u>\$ 68,865</u>	<u>\$ 102,701</u>	<u>\$ 259,260</u>	<u>\$ 1,339,942</u>

The accompanying notes are an integral part of this statement.

Charter Township of Kinross

Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the year ended March 31, 2021

	Golf Course	Rubbish Collection Fund	Parks and Recreation	Chippewa County Fairgrounds	Total
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES					
Receipts from customers	\$ 231,384	\$ 168,455	\$ 29,154	\$ 19,982	\$ 448,975
Payments to suppliers	(105,631)	(164,572)	(18,617)	(22,547)	(311,367)
Payments to employees	(164,978)	-	(12,287)	(19,184)	(196,449)
Net cash provided by operating activities	(39,225)	3,883	(1,750)	(21,749)	(58,841)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	64,342	-	-	21,025	85,367
CASH FLOWS FOR CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	-	-	-	-	-
CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES					
Investment earnings	346	(248)	(493)	(508)	(903)
Net increase/(decrease) in cash investments	25,463	3,635	(2,243)	(1,232)	25,623
Cash and investments at April 1, 2020	111,743	53,324	\$ 68,139	\$ 28,663	261,869
Cash and investments at March 31, 2021	\$ 137,206	\$ 56,959	\$ 65,896	\$ 27,431	\$ 287,492
Reconciliation of operating net income/(loss) to net cash provided by/(used for) operating activities					
Operating income (loss)	\$ (75,781)	\$ (2,773)	\$ (3,093)	\$ (27,989)	\$ (109,636)
Adjustments to reconcile operating income/(loss) to net cash provided by/ (used for) operating activities:					
Depreciation expense	32,816	-	741	4,946	38,503
Change in assets and liabilities					
Increase in receivables	3,748	5,761	-	-	9,509
Increase in prepaid expenses	-	-	-	3	3
Increase in inventory	(1,348)	-	-	-	(1,348)
Increase/(decrease) in accounts payable	710	895	592	736	2,933
Increase/(decrease) in accrued expenses	275	-	10	555	840
Increase in compensated absences	355	-	-	-	355
Net cash provided by operating activities	\$ (39,225)	\$ 3,883	\$ (1,750)	\$ (21,749)	\$ (58,841)

The accompanying notes are an integral part of this statement.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

September 20, 2021

Board of Trustees
Charter Township of Kinross
Kincheloe, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Kinross, as of and for the year ended March 31, 2021, and the related notes to the financial statements, which collectively comprise the Charter Township of Kinross' basic financial statements, and have issued our report thereon dated September 20, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Charter Township of Kinross' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter Township of Kinross' internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter Township of Kinross' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter Township of Kinross' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lake Michigan CPA Services, PLLC

Ludington, Michigan
September 20, 2021



320 S James Street
Ludington, MI 49431
(231) 843-4085
LakeMichiganCPA.com

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE**

September 20, 2021

Township Board
Charter Township of Kinross
Kincheloe, Michigan

Report on Compliance for Each Major Federal Program

We have audited the Charter Township of Kinross' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Charter Township of Kinross's major federal programs for the year ended March 31, 2021. The Charter Township of Kinross's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Charter Township of Kinross' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Charter Township of Kinross's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major program. However, our audit does not provide a legal determination of the Charter Township of Kinross' compliance.

Opinion on Each Major Federal Program

In our opinion, the Charter Township of Kinross complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2021.

Report on Internal Control over Compliance

Management of the Charter Township of Kinross is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Charter Township of Kinross' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Charter Township of Kinross' internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program, that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on requirements of the Uniform Guidance. Accordingly, this communication is not suitable for any other purpose.

Lake Michigan CPA Services, PLLC

Ludington, Michigan
September 20, 2021

Charter Township of Kinross
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended March 31, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title/Identifying Number	Federal CFDA Number	Other Award Number	Total Award Amount	Federal portion of loan at April 1, 2020	Amount of Federal Expenditures	Federal Potion of Loan Balance at March 31, 2021
U.S. Department of Treasury						
Passed through the State of Michigan						
Coronavirus Relief Fund	21.019		\$			
First Responders Hazard Pay			34,000	\$	34,000	\$
Public Safety Public Health Payroll Reimbursement			80,500		80,550	
Coronavirus Relief for Local Governments Grant			11,924		11,924	
U.S. Environmental Protection Agency						
Passed through the State of Michigan						
Capitalization Grants for Clean Water State Revolving Funds						
State Clean Water Revolving Fund Loan						
Segment 2	66.468	5611-02	4,960,000	1,451,210	-	1,451,210
Segment 3		5611-03	6,000,000	646,308	2,520,116	2,520,116
U.S. Department of Health and Human Services						
Provider Relief Fund	93.498		39,435		39,435	
Department of Homeland Security						
Law Enforcement Officer Reimbursement Agreement	97.09		9,970	-	9,970	-
U.S. Forest Service						
Passed through the State of Michigan						
Secure Rural Schools: Title I						
Hiawatha National Forest	10.665		10,759	-	10,759	-
U.S. Department of Agriculture						
Passed through the State of Michigan						
Summer Food Service Program for Children	10.559		6,453	-	6,453	-
TOTAL FEDERAL ASSISTANCE			\$ 4,966,453	\$ 1,451,210	\$ 2,713,207	\$ 1,451,210

Charter Township of Kinross

Notes to the Schedule of Expenditures of Federal Awards
For the year ended March 31, 2021

1. The accompanying Schedule of Expenditures of Federal Awards (the "schedule") includes the federal award activity of the Charter Township of Kinross under programs of the federal government for the year ended March 31, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Charter Township of Kinross, it is not intended to and does not present the financial position or change in net position of the Township.
2. Please see the financial statement footnotes for the significant accounting policies used in preparing this schedule. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Township is not using the ten-percent de minimis indirect cost rate as allowed under the Uniform Guidance.
3. The following is a reconciliation of the federal awards as reported on the Statement of Net Position and the Statement of Activities of the Charter Township of Kinross's financial statements for the year ended March 31, 2021 and the federal expenditures per the Schedule of Expenditures of Federal Awards:

Federal Awards per the Charter Township of Kinross' financial statements	\$ 193,091
Plus: Loan proceeds (federal loan program portion only)	<u>2,520,116</u>
Federal expenditures per the Schedule of Expenditures of Federal Awards	<u>\$2,713,207</u>

Charter Township of Kinross
SCHEDULE OF FINDINGS AND RESPONSES
For the year ended March 31, 2021

SECTION I – SUMMARY OF AUDITOR’S RESULTS

A. Financial Statements

1. The type of report the auditor issued on whether the financial statements were prepared in accordance with GAAP: **Unmodified**
2. Internal control over financial reporting:
No material weaknesses identified.
No significant deficiencies identified.
3. Noncompliance material to the financial statements noted? **No**

B. Federal Awards

1. Internal control over major federal programs:
No material weaknesses identified.
No significant deficiencies identified.
2. The type of auditor’s report issued on compliance for major federal programs:
Unmodified.
3. There were no audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a).
4. Identification of major programs:
CFDA Number: **66.468**
Name of Federal Program: **U.S. Environmental Protection Agency
Capitalization Grants for Clean
Water State Revolving Funds**
5. The dollar threshold used to distinguish between type A and type B programs was **\$750,000.**
6. The auditee **did not** qualify as a low-risk auditee.

SECTION II – FINANCIAL STATEMENT FINDINGS

NONE

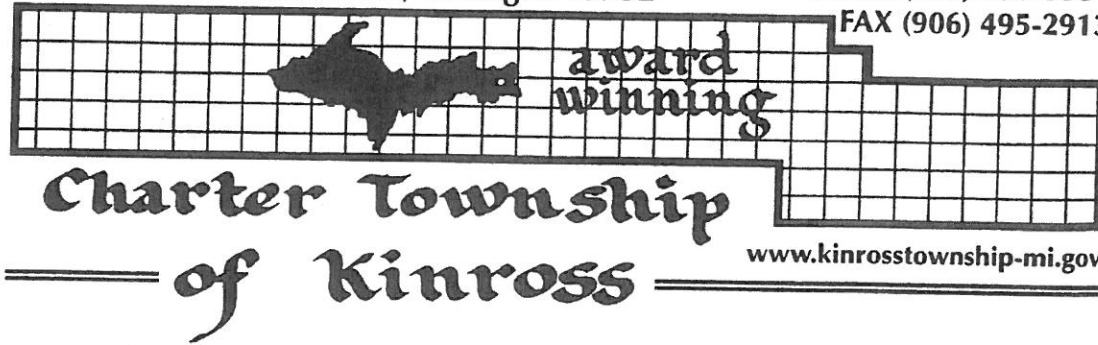
SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

4884 W. Curtis / Kincheloe, Michigan 49752

Phone (906) 495-5381

FAX (906) 495-2913



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

September 20, 2021

U.S. Environmental Protection Agency
Washington, D.C.

The Charter Township of Kinross respectfully submits the following summary of the current status of prior audit findings contained in the single audit report for the year ended March 31, 2021 dated September 20, 2021.

SECTION II – FINANCIAL STATEMENT FINDINGS

There were **no** findings in relation to the financial statement audit.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were **no** findings or questioned costs in relation to the federal award programs.

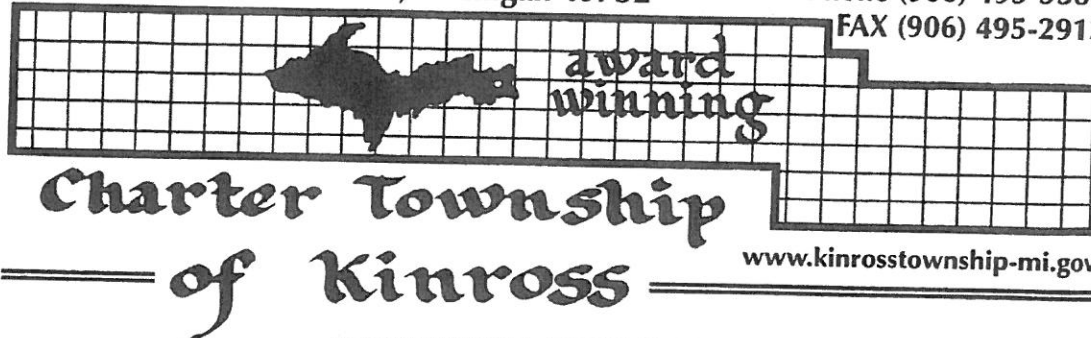
Sincerely,

Supervisor
Charter Township of Kinross

4884 W. Curtis / Kincheloe, Michigan 49752

Phone (906) 495-5381

FAX (906) 495-2913



CORRECTIVE ACTION PLAN

September 20, 2021

U.S. Environmental Protection Agency
Washington, D.C.

The Charter Township of Kinross respectfully submits the following Corrective Action Plan for the year ended March 31, 2021.

Name and address of independent public accounting firm:

Lake Michigan CPA Services, PLC
317 S. James Street
Ludington, Michigan 49431

Audit period: March 31, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

There were **no** findings in relation to the financial statement audit.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were **no** findings or questioned costs in relation to the federal award programs.

If the U.S. Department of Agriculture has questions regarding this plan, please call James Moore at (906) 495-5381.

James R. Moore
Supervisor
Charter Township of Kinross